




STATE OF WASHINGTON
GAMBLING COMMISSION

PO Box 42400 Olympia Washington 98504-2400 (360) 486-3440 TTD (360) 486-3637 FAX (360) 486-3625

August 1, 2003

TO: **COMMISSIONERS** **EX OFFICIO MEMBERS**
Liz McLaughlin, Chair Senator Margarita Prentice
Alan Parker, Vice Chair Senator Shirley Winsley
Curtis Ludwig Representative Alex Wood
George Orr Representative Cheryl Pflug
Judge Janice Niemi (Ret.)

FROM: Rick Day, Director 

SUBJECT: **Petition to Amend WAC 230-40-120**
 House-banked Card Room Games
 Filed by Recreational Gaming Association

The petition filed by the Recreational Gaming Association (RGA) seeks to amend WAC 230-40-120 (6). This rule sets house-banked card room single wager limits at a maximum of \$100. The petitioner requests that wager limits be increased from \$100 to \$300. In September 2001, the RGA filed a petition to increase betting limits to \$500. Prior to the Commission taking action on the petition, the RGA withdrew the petition. At the November 2001 Commission meeting, the Commission filed a second petition submitted by the RGA, which set forth three options for increasing betting limits. At the January 2002, Commission meeting the RGA asked that the petition be held over until after the legislative session.

Staff analyzed the Petition and offer these observations for your consideration as you discuss the petition.

History

On April 15, 1973, both houses of the Washington Legislature passed Substitute House Bill 711 and forwarded it to the Governor. On April 26, 1973, Governor Daniel Evans signed the bill after vetoing several sections. His veto removed all mention of "social card games" from the statute.

In 1974, the Legislature amended the gambling statute to authorize of social card games. Again these references were vetoed, but the Legislature overrode the veto and social card games were authorized.



The 1974 amendment included a section providing the Commission with the authority and responsibility "... To regulate and establish the type and scope of and manner of conducting social card games permitted to be played, and the extent of wager, money or other thing of value which may be wagered or contributed or won by a player in a social card games." This section was later amended to apply to all activities but the essence of the statute has never changed. The Commission has the power and duty to set wagering limits.

The wagering limits for poker changed in the early 1980's to allow \$5 wagers on multiple wager games. The value of the wagers eventually went to \$10. However, this "limit" did not truly reflect the total wagers that could be placed during a game. A player in a game with five betting rounds with a \$2 wager and two \$2 raises could wager a total of \$30 on a single hand of cards. Today's rule for poker wagering allows for \$25 wagers, three raises and five betting rounds. Theoretically, a player could wager \$500 per hand of poker based on these rules.

The current maximum house-banked card game Phase II single wager limit is \$100, which is set by WAC 230-40-120. Players are allowed to make additional wagers like splitting a pair or doubling down in blackjack, or playing more than one spot on a table. These would effectively increase the maximum betting limit on a hand or involve a single patron to greater than the \$100 limit.

Regulatory Issues

Raising betting limits from \$100 to \$300 causes no significant regulatory concerns. Special Agents in our tribal gaming unit co-regulate tribal casinos with tribal gaming agencies. Tribal-state compacts authorize \$500 betting limits for Phase II operations.

Higher limits do increase the licensee's exposure to higher losses. We have concerns about situations where licensees don't have the money to cash out chips. This has already happened and emergency drop box counts have occurred. If higher limits are allowed, minimum cash on hand amounts must be established. We anticipate the Commission will adopt an amendment to WAC 230-40-833 (ITEM 14) at the September Commission meeting to establish minimum bankroll requirements.

The greater volume of cash may also attract criminal activities, such as cheating by players and dealers, hidden ownership and money laundering.

There were 79 house-banked card rooms (HBCR) that operated April 1, 2002 through March 31, 2003. The following data is based on an analysis of activity reported by these card rooms to the Financial Investigations Unit. This following does not include non-gambling income like restaurant or bar income and only presents the gambling side of their financial situation:

- 16 of the 79 HBCR locations reported a negative card room income

- 3 of these reported net losses from punchboard and pull-tabs
 - 7 of these operated under Phase I at some time
 - 2 are still operating under Phase I and 1 has since closed
- 16 of the 79 HBCR operated under Phase I limits.
 - 8 of these are still operating under Phase I limits
 - 7 of these reported a new loss while operating under Phase I
 - 1 closed while operating under Phase II
- 5 of the 79 have since closed
- Most new HBCR have a negative card room income in their first six months operating at the Phase I limit of \$25. However, card rooms that pass their Phase II Review do perform better at the increased limit of \$100. We anticipate that the Elimination of Formal Phase II Reviews will be adopted at the August Commission meeting to become effective September 15, 2003. This change would allow card rooms to open with \$100 betting limits.

Policy Issues and Considerations

Staff is not offering a recommendation since this is primarily a policy decision. However, we would offer the following as issues and considerations as you review the petition.

- An increase in betting limits will be considered by some to be an expansion of gambling.
- The recently concluded legislative session did not authorize changes to the statutes regarding the types of gambling or operation of gambling in Washington.
- An increase in betting limits for one interest group may increase the pressure to raise betting limits for another interest group.
- This increase in betting limits might have an impact on charitable and nonprofit organizations that conduct gambling activities as fund-raisers for the purpose of their organization.
- Tribal-State Compacts authorize a \$500 betting limit.
- Most individuals gambling wager less than \$100. However, financial data indicates operations have struggled at the Phase I limit of \$25.

Staff will be available to answer your questions at the Commission meeting on August 14 and 15 in Vancouver.




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August 27, 2003

TO: **COMMISSIONERS** **EX OFFICIO MEMBERS**
Liz McLaughlin, Chair Senator Margarita Prentice
Alan Parker, Vice Chair Senator Shirley Winsley
Curtis Ludwig Representative Alex Wood
George Orr Representative Cheryl Pflug
Judge Janice Niemi (Ret.)

FROM: Rick Day, Director 

SUBJECT: **INCREASED WAGER LIMITS PETITION**
 SUMMARY OF POTENTIAL IMPACTS

The petition filed by the Recreational Gaming Association (RGA) seeks to amend WAC 230-40-120 (6). This rule sets house-banked card room single wager limits at a maximum of \$100. The petitioner requests that wager limits be increased from \$100 to \$300.

Regulatory Issues

- ☐ Higher limits do increase the licensee's exposure to higher losses. We have concerns about situations where licensees don't have the money to cash out chips.
- ☐ If higher limits are allowed, minimum cash on hand amounts must be established.
- ☐ Greater volume of cash may attract criminal activities, such as cheating by players and dealers, hidden ownership and money laundering.

Policy Issues and Considerations

- ☐ An increase in betting limits will be considered by some to be an expansion of gambling.
- ☐ The recently concluded legislative session did not authorize changes to the statutes regarding the types of gambling or operation of gambling in Washington.

Policy Issues and Considerations (Continued)

- ☐ An increase in betting limits for one interest group may increase the pressure to raise betting limits for another interest group.
- ☐ This increase in betting limits might have an impact on charitable and nonprofit organizations that conduct gambling activities as fund-raisers for the purpose of their organization.
- ☐ Tribal-State Compacts authorize a \$500 betting limit.
- ☐ Most individuals gambling wager less than \$100. However, financial data indicates operations have struggled at the Phase I limit of \$25.

Special Assistant Ed Fleisher has provided a memorandum regarding the question on "What constitutes an expansion of gambling?" Please see the attached document.



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August 28, 2003

TO: Rick Day
FROM: Ed Fleisher *EF*
SUBJECT: Expansion of Gambling

This is in response to your request for a discussion on the question: "What constitutes an expansion of gambling?" This can be looked at either as a narrow legal inquiry or a broader policy question.

The legal question arises in the context the voting requirements for the passage of gambling legislation. Article 2, Section 24 of the State Constitution requires a 60% vote of each house of the legislature to pass legislation authorizing lotteries (under the constitution, all forms of gambling are lotteries). Whether the 60% voting requirement applies to a particular piece of legislation is a decision made by the Speaker of the House or the President of the Senate.

The factual or policy answer to the question is subject to much opinion and debate.

Here are some possible answers:

- Expansion of gambling means only those actions that require a 60% vote of the legislature.
- Expansion of gambling means any action that authorizes a new type of gambling activity.
- Expansion of gambling means any action that increases the wagering limits for gambling.
- Expansion of gambling means any action that provides additional opportunities to gamble.
- Expansion of gambling means any action that adds a new location where persons may gamble.
- Expansion of gambling means any action that increases the number of licensed gambling establishments.
- Expansion of gambling means any action that causes a noticeable increase by the public in the amount of gambling in the state.

Each of these is a legitimate answer to the question. However, it has been my experience that persons asking us if something is an expansion of gambling are usually looking for a broader analysis than simple compliance with constitutional requirements.



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September 3, 2003

The Honorable John Daniels Jr.
Muckleshoot Tribe
39015 172nd Avenue SE
Auburn, WA 98092

Dear Chair Daniels:

The members of the Gambling Commission have asked me to let you know about a petition before the Commission to increase the betting limits for non-tribal house-banked card rooms.

The petition, filed by the Recreational Gaming Association, asks the Gambling Commission to amend WAC 230-40-120 to increase the betting limit on house-banked card rooms from \$100 to \$300. This proposed rule change will be up for discussion at the Commission's meeting in Leavenworth on September 11 and 12, 2003, and will be up for final action at the Commission's meeting in Spokane on October 9 and 10, 2003.

Public testimony will be taken at both meetings, and you are also welcome to submit written testimony if you desire. If you have any questions regarding this matter, please contact Special Assistant Ed Fleisher at (360) 486-3449.

Sincerely,

A handwritten signature in black ink that reads "Rick Day". The signature is stylized with a large, looped "R" and a cursive "Day".

Rick Day
Director